

Introduced: 1/28/85
Referred: House Special Committee
on State Loans and Finance

BY DUNCAN, SUND AND
HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 135

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a Small Business Development
7 Loan program; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 45.95.020 is repealed and reenacted to read:

10 Sec. 45.95.020. SMALL BUSINESS DEVELOPMENT LOANS. (a) The
11 commissioner shall adopt regulations and policies to make small busi-
12 ness development loans or to purchase small business development loans
13 from a bank or other financial institution in the state. A small
14 business development loan made under this chapter may not exceed
15 \$100,000 and shall be for the purpose of acquiring, operating, or
16 equipping a business, other than a farming, mining, or fishing busi-
17 ness. A small business development loan shall be secured by accept-
18 able collateral and may not exceed 80 percent of the fair market value
19 of the collateral offered as security. The initial rate of interest
20 on a small business development loan is equal to the federal discount
21 rate in effect on the first day of the month preceding the month of
22 closing the loan plus three percentage points. The interest rate
23 shall be adjusted annually to be three percentage points more than the
24 federal discount rate in effect on the first day of the month preced-
25 ing the month of the anniversary date of the loan.

26 (b) Money loaned shall be delivered to the borrower as provided
27 by regulations adopted by the commissioner. Upon repayment of loans
28 by installments, or otherwise, in accordance with the prescribed
29 terms, or upon liquidation by foreclosure or other process, or upon

1 receipt of interest or other revenue, the money so received shall be
2 turned over to the commissioner of revenue for deposit in the small
3 business development revolving loan fund.

4 (c) The commissioner may not disqualify an applicant for, or
5 prejudice an applicant's privilege to receive, a loan for a purpose
6 authorized under this section because the applicant has previously
7 received a loan under this chapter, but the total principal amount
8 outstanding to a borrower on loans made under this chapter may not
9 exceed \$150,000.

10 * Sec. 2. AS 45.95.050 is amended to read:

11 Sec. 45.95.050. POWER OF COMMISSIONER TO ASSIGN AND SELL MORT-
12 GAGES. The commissioner may assign and sell small business develop-
13 ment loan mortgages to the Alaska permanent fund, the Department of
14 Revenue, the Alaska Industrial Development Authority, or to a bank or
15 other private purchaser [STATE MORTGAGE ASSOCIATION] in consideration
16 of receiving [ITS] cash, bonds, debentures and notes upon conditions
17 which the commissioner [HE] considers advantageous to the state small
18 business development lending program.

19 * Sec. 3. AS 45.95.060 is amended to read:

20 Sec. 45.95.060. ESTABLISHMENT [CREATION] OF FUND. The [THERE IS
21 CREATED THE] small business development revolving loan fund is estab-
22 lished in the Department of Commerce and Economic Development to carry
23 out the purposes of this chapter. This fund may not [SHALL] be used
24 for any [NO] other purpose.

25 * Sec. 4. AS 45.95.070 is amended to read:

26 Sec. 45.95.070. ELIGIBILITY FOR LOANS. A small business [PER-
27 SON] is eligible for a loan under this chapter if

28 (1) it [HE] can establish or demonstrate [GOOD CHARACTER,]
29 capacity for financial responsibility and an [,] ability to provide

1 sufficient collateral [AND KNOWLEDGE OF ALASKA ECONOMIC CONDITIONS];
2 and

3 (2) [HE IS A RESIDENT OF THE STATE; AND

4 (3)] in the judgment of the commissioner [DEPARTMENT OF
5 COMMERCE AND ECONOMIC DEVELOPMENT]

6 (A) the business shows a definite potential for
7 growth;

8 (B) the borrower will be able to repay the loan; and

9 (C) the loan has the potential to [WILL POTENTIALLY]
10 create more jobs and provide additional services in the commu-
11 nity.

12 * Sec. 5. AS 45.95.080 is amended to read:

13 Sec. 45.95.080. DEFINITIONS. In this chapter,

14 (1) "commissioner" means the commissioner of commerce and
15 economic development;

16 (2) "small business" means a sole proprietorship, partner-
17 ship, or corporation operating only in the state that is not a subsid-
18 iary of another business and that does not employ more than 10 em-
19 ployees.

20 * Sec. 6. Section 71(2), ch. 106, SLA 1980 is amended to read:

21 (2) no further loans may be made under AS 45.90.020
22 [,AS 45.95.020,] and AS 26.15.040(3).

23 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).